

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

**COMMUNITY FIRE ASSOCIATION**  
Stanton, Michigan

**FINANCIAL STATEMENTS**  
April 30, 2008

# COMMUNITY FIRE ASSOCIATION

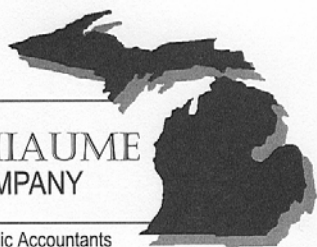
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## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Governmental Fund Balance Sheet/Statement of Net Assets .....	3
Statement of Governmental Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities .....	4
Notes to the financial statements .....	6
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule – Operating Fund.....	12
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Detailed Schedule of Revenues.....	14
Detailed Schedule of Expenditures.....	15

BERTHIAUME  
& COMPANY

Certified Public Accountants



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## INDEPENDENT AUDITORS' REPORT

To the Community Fire Association  
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Association, as of and for the year ended April 30, 2008, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Community Fire Association management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Authority, as of April 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Association has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

*Berthiaume & Co.*

September 29, 2008

## ***BASIC FINANCIAL STATEMENTS***

# COMMUNITY FIRE ASSOCIATION

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## GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS

April 30, 2008

	<i><u>General Fund</u></i>	<i><u>Adjustments</u></i>	<i><u>Statement of Net Assets</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 53,491	\$ -	\$ 53,491
Capital assets:			
Depreciable capital assets, net	<u>-</u>	<u>478,790</u>	<u>478,790</u>
Total assets	<u><u>\$ 53,491</u></u>	<u><u>478,790</u></u>	<u><u>532,281</u></u>
<b>Liabilities:</b>			
Accounts payable	\$ 29,472	-	29,472
Accrued expenses	7,900	-	7,900
Deferred revenue	<u>13,350</u>	<u>-</u>	<u>13,350</u>
Total liabilities	<u><u>50,722</u></u>	<u><u>-</u></u>	<u><u>50,722</u></u>
<b>Fund balance - Net Assets:</b>			
Unreserved	<u>2,769</u>	<u>(2,769)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 53,491</u></u>		
<b>Net Assets:</b>			
Invested in capital assets		478,790	478,790
Unrestricted		<u>2,769</u>	<u>2,769</u>
Total net assets		<u><u>\$ 481,559</u></u>	<u><u>\$ 481,559</u></u>

*The accompanying notes are an integral part of these financial statements.*

# COMMUNITY FIRE ASSOCIATION

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## STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2008

	<i><u>General Fund</u></i>	<i><u>Adjustments</u></i>	<i><u>Statement of Activities</u></i>
<b>Revenues:</b>			
Federal grants	\$ 74,160	\$ -	\$ 74,160
Contributions from participating units	53,550	-	53,550
Interest and rents	63	-	63
Other revenue	<u>919</u>	<u>-</u>	<u>919</u>
 Total revenues	<u>128,692</u>	<u>-</u>	<u>128,692</u>
 <b>Expenditures:</b>			
Current			
Public safety	44,792	15,397	60,189
Capital outlay	<u>83,398</u>	<u>(67,288)</u>	<u>16,110</u>
 Total expenditures	<u>128,190</u>	<u>(51,891)</u>	<u>76,299</u>
 Excess (deficiency) of revenues over expenditures	502	51,891	52,393
 Fund balance - Net assets, beginning of year	<u>2,267</u>	<u>426,899</u>	<u>429,166</u>
 Fund balance - Net assets, end of year	<u>\$ 2,769</u>	<u>\$ 478,790</u>	<u>\$ 481,559</u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***



# **COMMUNITY FIRE ASSOCIATION**

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## **NOTES TO FINANCIAL STATEMENTS**

April 30, 2008

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **THE REPORTING ENTITY:**

The Community Fire Association (the “Association”), was established in 1982 under Public Act 7 of 1967. It is a joint Association created by contractual agreement between the City of Stanton and the Townships of Douglas, Evergreen, and Sidney of Montcalm County.

The Association has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

The accounting policies of the Community Fire Association conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances. The Association’s major funds are reported in separate columns in the aforementioned financial statements.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tri-party contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2008

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The **General Fund** is the principal operating fund of the Association. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity, if any, has been eliminated from the government-wide financial statements.

### BUDGETARY INFORMATION:

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Association. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrance accounting is not utilized by the Association.

### DEPOSITS AND INVESTMENTS:

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts, and certificates of deposit with an original maturity date less than 90 days from the original issue date.

State statutes authorize the Association to invest surplus funds in certificates of deposit, savings accounts, and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by an Association.

Investments, if any, are carried at fair value.

### CAPITAL ASSETS:

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2008

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and equipment	15 to 40

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### NOTE 2: DEPOSITS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned. The Fire Department does not have a deposit policy for custodial credit risk. At year-end, the Fire Department had \$54,351 of bank deposits, of which \$54,351 was covered by federal depository insurance. At year end, the Fire Department had no investments.

The Association's deposits are in accordance with statutory authority.

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### NOTE 3: CAPITAL ASSETS

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Capital asset activity of the Association's governmental activities for the year was as follows:

	<u>May 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2008</u>
Capital assets				
Equipment	\$ 45,000	\$ 67,288	\$ -	\$ 112,288
Vehicles	468,428	-	-	468,428
Total capital assets	513,428	67,288	-	580,716
Accumulated depreciation	(86,529)	(15,397)	-	(101,926)
Capital assets, net	<u>\$ 426,899</u>	<u>\$ 51,891</u>	<u>\$ -</u>	<u>\$ 478,790</u>

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2008

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### NOTE 4: RISK MANAGEMENT

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The Association is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

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### NOTE 5: FUNDING

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The Fire Department is financed each year by the participating municipalities. This funding represents approximately 96% of total revenues for the year ending April 30, 2008. Consequently, the Fire Association's ability to provide services is dependent upon the continuing support of those municipalities.

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### NOTE 6: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Operating contribution	<u>\$ -</u>	<u>\$ 13,350</u>

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2008

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### NOTE 7: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Following in the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net assets.

<b>Total fund balance for governmental fund</b>	\$	2,769
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	580,716	
Less accumulated depreciation	<u>(101,926)</u>	<u>478,790</u>

<b>Net assets of governmental activities</b>	<u>\$</u>	<u>481,559</u>
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Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

<b>Net change in fund balance - total governmental fund</b>	\$	502
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Total change in net assets reported for governmental activities in the statement of  
activities is different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is depreciated over their  
estimated useful lives and reported as depreciation expense.

Capital outlay	67,288	
Less depreciation expense	<u>(15,397)</u>	<u>51,891</u>

<b>Change in net assets of governmental activities</b>	<u>\$</u>	<u>52,393</u>
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***REQUIRED SUPPLEMENTAL INFORMATION***

# COMMUNITY FIRE ASSOCIATION

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## OPERATING FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended April 30, 2008

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
Federal grants	\$ -	\$ 98,479	\$ 74,160	\$ (24,319)
Contributions from participating units	53,550	53,400	53,550	150
Interest and rents	-	-	63	63
Other revenue	-	3,500	919	(2,581)
Total revenues	53,550	155,379	128,692	(26,687)
<b>Expenditures:</b>				
Current				
Public safety	44,500	45,000	44,792	(208)
Capital outlay	8,900	110,434	83,398	(27,036)
Total expenditures	53,400	155,434	128,190	(27,244)
Excess (deficiency) of revenues over expenditures	150	(55)	502	557
Fund balance, beginning of year	2,267	2,267	2,267	-
Fund balance, end of year	\$ 2,417	\$ 2,212	\$ 2,769	\$ 557

***OTHER SUPPLEMENTAL INFORMATION***



# COMMUNITY FIRE ASSOCIATION

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## OPERATING FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended April 30, 2008

***Federal grants:***

Department of Homeland Security -	
Assistance to Firefighters Grant	\$ 43,224
Commercial Equipment Assistance Program	<u>30,936</u>
	<u>74,160</u>

***Contributions from participating units:***

Operations	<u>53,550</u>
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***Interest and rents:***

Interest	<u>63</u>
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***Other:***

Contributions	100
Reimbursements	150
Refunds and rebates	<u>669</u>
	<u>919</u>

Total revenues	<u><u>\$ 128,692</u></u>
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# COMMUNITY FIRE ASSOCIATION

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## *OPERATING FUND*

### **DETAILED SCHEDULE OF EXPENDITURES**

Year Ended April 30, 2008

#### **Public Safety:**

##### *Fire:*

Personnel	\$ 14,850
Fringe benefits	844
Supplies	865
Contracted services	1,800
Mileage	1,952
Education and training	2,103
Printing and publications	32
Insurance	9,979
Utilities	3,486
Repairs and maintenance	8,881
	<u>44,792</u>

#### ***Capital Outlay:***

Public safety	<u>83,398</u>
	<u>83,398</u>

Total expenditures	<u><u>\$ 128,190</u></u>
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## **REQUIRED COMMUNICATION TO THE COMMUNITY FIRE ASSOCIATION IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Fire Association Board  
Community Fire Association

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Fire Association for the year ended April 30, 2008, and have issued our report thereon dated September 29, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 19, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter. You have elected to not include the Management's Discussion & Analysis which is not required as part of the basic financial statement.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Community Fire Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Discussion With Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Community Fire Association as of and for the year ended April 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Community Fire Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Association's

financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Fire Association Board and others within the Association, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

Saginaw, Michigan  
September 29, 2008